



Department of Justice

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JUSTICE DEPARTMENT TAKES UNPRECEDENTED ACTION TO STOP DOCTORS AND HOSPITALS IN CONNECTICUT, MISSOURI FROM BLOCKING MANAGED CARE

WASHINGTON, D.C. -- Doctors and hospitals in two states were charged today with unlawfully trying to keep out lower-priced managed health care plans and other competitors in first of a kind lawsuits by the Justice Department's Antitrust Division. The lawsuits, and proposed settlements, involved medical providers in Danbury, Connecticut, and St. Joseph, Missouri.

The Department's Antitrust Division filed two separate lawsuits charging that in each instance a monopoly hospital had joined with nearly every local physician to dictate higher priced terms and conditions to managed care health plans in its area.

At the same time, the Department filed proposed settlements designed to permit doctors and hospitals to work together in ways that can reduce health care costs while at the same time preventing them from limiting competition and driving up costs. The proposed settlements, agreed to by the defendants, would resolve the lawsuits if approved by the court.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, said, "These lawsuits signal that we will not tolerate collusive conduct that drives up health care costs. However, we remain flexible and willing to consider innovative arrangements that preserve competition and may reduce the cost of medical care."

In Danbury, the Department of Justice worked with the Connecticut Attorney General's office in investigating and filing the case. Assistant Attorney General Bingaman praised the

joint effort as "another example of how coordinated law enforcement uses taxpayer dollars effectively and protects consumers."

The Danbury complaint, filed in U.S. District Court in Connecticut, charged that the Danbury Hospital, which is the only acute care hospital in its area, formed an alliance during 1993 and 1994 with virtually all of the doctors on its medical staff to delay and deter the continued development of managed care plans in and around Danbury. The Department alleged the conspiracy took place from May 1994 through August 1995.

According to the complaint, the hospital also worked with the doctors to limit the size and mix of its medical staff in order to limit competition among local doctors.

Finally, the complaint charged that the hospital abused its monopoly position in in-patient services to unlawfully maintain its profits and to gain an unreasonable advantage in markets for outpatient services. Named as defendants are: the hospital, the physicians' group, called the Danbury Area IPA Inc., and HealthCare Partners Inc., the physician-hospital organization in which each of them owned a 50 percent share.

The Missouri case is similar, the Department said. The Department alleged the conspiracy took place from April 1986 through June 1995. The complaint, filed in U.S. District Court in Kansas City, Missouri, charged that in 1986, about 85 percent of the doctors in Buchanan County, Missouri, formed a group called St. Joseph Physicians Inc. to prevent or delay the development of managed care in the area. In furtherance of this plan, in 1990 St. Joseph Physicians Inc. joined with the only local hospital, Heartland Health System Inc., to form Health Choice of Northwest Missouri Inc., the Department said. The complaint charged that since Health Choice was formed several managed care plans have attempted to enter Buchanan County independent of Health Choice, but none has succeeded.

Bingaman pointed out that while the settlements prohibit the anticompetitive behavior described in the complaints, they also indicate ways in which doctors can form their own managed care programs without hurting competition.

"Doctors in many areas have expressed the desire to form their own managed care plans and these proposed settlements make clear that they may do so without violating the antitrust laws," said Bingaman.

As required by the Antitrust Procedures and Penalties Act, the proposed consent decree will be published in the Federal Register, along with the Department's competitive impact statements. Any person may submit written comments concerning the proposed decrees during a 60-day comment period to Gail Kursh, Chief, Professions & Intellectual Property Section/Health Care Task Force, Antitrust Division, U.S. Department of Justice, 600 E. Street, N.W., Room 9300, Washington, D.C. 20530.

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